

Highlights

Why We Did This Audit

Retirement is a major decision that has ongoing financial consequences. Some city retirees told us they were shocked by healthcare expenses after retirement. Another retiree was surprised when she discovered the tax consequences of a city payout of unused sick leave and vacation.

Objective

Our audit focused on determining whether the city is educating employees to help them make informed retirement decisions.

Background

The Human Resources Department's Retirement Division administers the Employees' Retirement System and the Firefighters' Pension System plans.

As of April 30, 2019, about 17 percent of the nearly 3,200 members of the Employees' Retirement System were eligible for normal or optional retirement during calendar year 2019; and about 14 percent of the nearly 1,000 members of the Firefighters' Pension System were eligible for voluntary retirement during calendar year 2019.

The city contracts with Nationwide to provide a 457 deferred compensation retirement plan. The 457 plan allows all part-time and full-time, permanent employees to participate. About 48 percent of full-time city employees and firefighters participate in the 457 plan.

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PERFORMANCE AUDIT

City Should Educate Employees to Make Informed Retirement Decisions

What We Found

The city does not have a retirement education program. Although the city's pension plans are important city benefits, efforts to educate employees about the pension plans and retirement are limited; communications about the decisions that must be made at retirement are inadequate; education about retirement healthcare costs is limited; and retirement information is hard to locate and not always accurate.

Retirement decisions are complicated, affect employees' finances for the rest of their lives, and may have tax consequences. Making decisions about retirement requires information and time to consider that information.



The city has a responsibility to educate and prepare its employees for retirement. The Government Finance Officers Association recommends government employers educate employees about retirement, provide financial education and retirement planning sessions throughout an employee's career, and at a minimum offer pre-retirement sessions at least five years before an employee's projected retirement age.

What Recent Retirees Said...

"There is very little advanced communication with retirees before they retire, such as things they need to do, what to prepare for."

"I did not have any idea about the pension. I did not know about the different options that would affect the benefit amount."

"I did not know how much health insurance would cost until the retirement processing meeting."

"Employees need to be informed about retirement at different stages of life. There should be 'cradle to grave' work-life discussions."

"The city should communicate to employees about things they need to do before retirement. Lots of people have not thought much about retirement."

What We Recommend

We make two recommendations in this audit:

- Provide employees with comprehensive and continuous retirement education in accordance with recommended practices outlined by the Government Finance Officers Association.
- Establish a single location for electronic retirement information and ensure that information is complete and accurate.

Management agreed with the recommendations.

